

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Alameda	County Ingham
Fiscal Year End June 30, 2006	Opinion Date AUGUST 23, 2006	Date Audit Report Submitted to State December 12, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE
X
N

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) LAYTON & RICHARDSON, P.C.		Telephone Number 517-332-1900	
Street Address 1000 COOLIDGE RD		City EAST LANSING	State MI
		Zip 48823	
Authorizing CPA Signature <i>Vickie L. Crouch, CPA</i>		Printed Name Vickie L. Crouch	License Number 1101013436

TOWNSHIP OF ALAIEDON, MICHIGAN
INGHAM COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
AND
INDEPENDENT AUDITORS' REPORT



Layton & Richardson, P.C.
Certified Public Accountants

CONTENTS

	FINANCIAL STATEMENTS PAGE	SUPPLEMENTAL MATERIAL PAGE
INDEPENDENT AUDITORS' REPORT	1-2	
MANAGEMENT'S DISCUSSION AND ANALYSIS		3-7
GENERAL PURPOSE FINANCIAL STATEMENTS		
GOVERNMENT-WIDE FINANCIAL STATEMENTS		
Description		9
Statement of Net Assets	11	
Statement of Activities	12-13	
FUND FINANCIAL STATEMENTS		
Balance Sheet – Governmental Funds	14	
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15	
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	16	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Governmental Funds	17	
Statement of Net Assets – Proprietary Funds	18	
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	19	
Statement of Cash Flows – Proprietary Funds	20-21	
Statement of Fiduciary Net Assets – Fiduciary Funds	22	
Balance Sheet – Nonmajor Governmental Funds	23	
Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	24	
Notes to Financial Statements	25-39	
REQUIRED SUPPLEMENTAL INFORMATION		
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund		43-44
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS		
GENERAL FUND		
Description		45
Balance Sheet	46	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	47	
Statement of Expenditures - Budget and Actual	48-50	
NONMAJOR SPECIAL REVENUE FUND		
Description		51
Balance Sheet	52	
Statement of Revenues, Expenditures and Changes in Fund Balance	53	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	54	

CONTENTS – Concluded

	FINANCIAL STATEMENTS PAGE	SUPPLEMENTAL MATERIAL PAGE
NONMAJOR DEBT SERVICE FUNDS		
Description		55
Balance Sheet	56	
Statement of Revenues, Expenditures and Changes in Fund Balance	57	
NONMAJOR CAPITAL PROJECTS FUNDS		
Description		59
Combining Balance Sheet	60	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	61	
ENTERPRISE FUND		
Description		63
Balance Sheet	64	
Statement of Revenues, Expenses and Changes in Retained Earnings	65	
Statement of Cash Flows	66-67	
FIDUCIARY FUNDS		
Description		69
Combining Balance Sheet	70	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT</u> <u>AUDITING STANDARDS</u>	71	
LETTER OF COMMENTS AND RECOMMENDATIONS		73-75



Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Township Board
Township of Alaiedon
Mason, Michigan

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Alaiedon, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Alaiedon, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the departures described above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Alaiedon, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2006 on our consideration of the Township of Alaiedon, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 3 through 7 and 45 through 70 is not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Alaiedon, Michigan's basic financial statements. The accompanying introductory section, supplemental financial information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of Alaiedon, Michigan. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
August 23, 2006

ALAIEDON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF 2006 ANNUAL AUDIT REPORT

I. **Using This Report.**

This annual audit report consists of a series of financial statements. The Statement of Net Assets provides financial information about the activities of the Township as a whole and presents a long-term view of the Township's finances. Fund financial statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

· **Governmental Funds** – Most of the Township's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement presented with the fund financial statements.

· **Proprietary Funds** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary Fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the propriety fund statement of net assets to the business-type column on the government-wide statement of net assets, the total net assets and liabilities agree.

· **Fiduciary Funds** – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

· **Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

· **Other Information** – In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General Fund. The combining statements in connection with non-major governmental funds are presented immediately following the notes to financial statements.

II. **The Township as a Whole.**

The Township's combined net assets decreased \$21,940. Interest income is up from last year, but the Township believes this is basically due to certificate of deposit investments for all eligible accounts. On the expenditure side, public safety expenses had increased by \$3,474 and expenditures on public works increased by approximately \$13,486. The continuing expenses in public works reflects the continued infrastructure improvements for water and road and drainage systems in the Fountain Pointe development north of I-96. The table below shows the statement of net assets for the Township in the new accounting format for the year ended June 30, 2006.

TOWNSHIP OF ALAIEDON
CONDENSED STATEMENT OF NET ASSETS

June 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2006 TOTALS	2005 TOTALS
ASSETS				
Current and other assets	\$ 2,536,006	\$ 1,563,528	\$ 4,099,534	\$ 4,248,238
Capital assets (net of accumulated depreciation)	<u>408,475</u>	<u>1,870,999</u>	<u>2,279,474</u>	<u>2,336,506</u>
TOTAL ASSETS	<u>\$ 2,944,481</u>	<u>\$ 3,434,527</u>	<u>\$ 6,379,008</u>	<u>\$ 6,584,744</u>
LIABILITIES				
Current liabilities	\$ 107,652	\$ 123,272	\$ 230,924	\$ 226,734
Noncurrent liabilities	<u>1,364,463</u>	<u>1,470,000</u>	<u>2,834,463</u>	<u>3,022,450</u>
TOTAL LIABILITIES	<u>\$ 1,472,115</u>	<u>\$ 1,593,272</u>	<u>\$ 3,065,387</u>	<u>\$ 3,249,184</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 408,474	\$ 295,999	\$ 704,473	\$ 756,506
Restricted for				
Bond and interest redemption	376,105		376,105	374,530
Debt service		1,545,256	1,545,256	1,540,213
Unrestricted	<u>687,787</u>	<u></u>	<u>687,787</u>	<u>664,311</u>
TOTAL NET ASSETS	<u>1,472,366</u>	<u>1,841,255</u>	<u>3,313,621</u>	<u>3,335,560</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,944,481</u>	<u>\$ 3,434,527</u>	<u>\$ 6,379,008</u>	<u>\$ 6,584,744</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operations, are \$687,787.
The following table shows the Changes in Net Assets for the year ended June 30, 2006.

TOWNSHIP OF ALAIEDON'S CHANGES IN NET ASSETS

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2006 TOTALS	2005 TOTALS
Revenue				
Program revenue	\$ 72,862	\$	\$ 72,862	\$ 92,178
Changes for services				
General revenue				
Property taxes	263,419		263,419	241,043
Sales tax	208,475		208,475	216,359
Interest of Special Assessments	67,393	75,253	142,646	148,378
Miscellaneous	44,224		44,224	96,980
Unrestricted investment earnings	<u>54,257</u>	<u>13,675</u>	<u>67,932</u>	<u>33,000</u>
Total revenues	<u>710,630</u>	<u>88,928</u>	<u>799,558</u>	<u>827,938</u>
Program Expenses				
General government	249,677		249,677	224,821
Public safety	113,830		113,830	110,356
Public Works	177,252		177,252	163,766
Other	74,753		74,753	90,821
Depreciation	21,261		21,261	29,132
Interest on long-term debt	65,817		65,817	70,276
Water and sewer	<u>118,908</u>	<u>118,908</u>	<u>118,908</u>	<u>122,757</u>
Total program expenses	<u>702,590</u>	<u>118,908</u>	<u>821,498</u>	<u>811,929</u>
Increase in net assets	8,040	(29,980)	(21,940)	16,009
Net assets - July 1	<u>1,464,326</u>	<u>1,871,235</u>	<u>3,335,561</u>	<u>3,319,552</u>
Net assets - June 30	\$ <u>1,472,366</u>	\$ <u>1,841,255</u>	\$ <u>3,313,621</u>	\$ <u>3,335,561</u>

The Township's net assets continue to remain healthy. Actual revenues grew more than \$63,798 in excess of what was originally anticipated in the budget. Further, excessive revenues over expenditures decreased by \$21,940.

IV. **Governmental Activities.**

The Township's total governmental revenues for the General Fund was \$627,799. There were significant increases in many of the revenue areas of the Township. Property tax revenues were \$254,254 higher than anticipated, and charges for services (i.e., administrative fees, fire run collections, and cemetery lot sales) accounted for an increase of over \$27,545 from what was anticipated when the budget was set.

On the expenditure side, expenditures were significantly less in certain areas, specifically in cemetery costs, which were approximately \$88,536 less than had been budgeted. In addition, office costs were almost \$10,310 less than budgeted, and public works had \$65,299 actual expenditures less than what was budgeted for. These represent the three areas that made up the greatest portion of the favorable variance between the final budgeted amounts and the actual expenditures in the amount of \$179,322.

V. **Business Type Activities.**

The Township's business type activities consist of the installation of water mains and sewer lines primarily within that portion of the property north of I-96 and west of Okemos Road in the northwest quadrant of the Township. With agreements with the Board of Water & Light for water and the City of Lansing for sewer, the Township has contracted that a certain number of parcels, principally commercial, shall receive water and sewer services. The Township also has an agreement with Meridian Township for the provision of water and sewer services to a small portion of commercial property to the east of Okemos Road and also north of I-96. Except for an administrative fee for the issuance of permits within the Meridian Township district, the Township derives no income from these funds.

Consequently, the financial activity set forth in these funds represents the payment of construction costs for the construction of the public infrastructure and the payment of the bonds, reflected as expenditures, and the collection of special assessments against the unimproved properties, within the various districts, reflecting revenues to the Township.

VI. **Township Funds.**

The analysis of the Township's major funds begins on page 14, showing the combined balance sheet for all fund types and account groups within the Township. Fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board has created funds to help manage money as required by law. These separate funds also assist in showing accountability for certain activities. The Township's major funds for 2006 include the General Fund, the H & H Water Assessment Bonds, and Fountain Pointe Assessment Bonds.

The General Fund pays for most of the Township's governmental services. The largest expenses are the office expenses, which provide the general accounting and clerical support for the Township activities. After Office Expenses, Building and Grounds, Assessing, and Cemetery Expenses represent the greatest expenditures from the General Fund for general services.

VII. **Capital Assets and Debt Administration.**

The capital assets as reflected in the report show fixed assets acquired by the Township. The capital assets of land, land improvements, and buildings and furniture and fixtures, principally describes the Township Hall and the land on which it is located, the Township cemeteries and the equipment used to maintain the cemeteries, the Township vehicles principally used for the maintenance of the Township grounds and cemeteries, and certain unimproved land owned by the Township. The remaining fixed assets are a water system and sewer system installed in the northwest quadrant of the Township. Those infrastructure assets now provide water and sewer services for the principally commercial development north of I-96 and west of Okemos Road.

The only bonded indebtedness of the Township relates to the special assessment bonds (described more fully below) for the payment of the infrastructure improvements in the northwest quadrant. Bonds have been sold which financed the sanitary sewer, water, and road and storm sewer projects. Each series of bonds (sanitary sewer bonds, water bonds, and road and storm sewer bonds) are accounted for separately but their combined totals are reflected as the overall indebtedness of the Township. Except for those special assessment bonds, there are no other general obligation bonds or revenue bonds issued by the Township.

At the end of fiscal year 2005/2006, the Township had approximately \$2,279,474 invested in land, land improvements, buildings, water and sewer lines, vehicles and equipment. See Note 4 to the basic financial statements for additional information.

Debt reported in Note 7 to these financial statements is related to the Special Assessment bonds. Special Assessment bonds are carried by the Township to finance the property owner portion of the sanitary sewer, water and road and storm sewer improvement projects. The assessments are paid back to the Township with sufficient interest to cover the bond interest rate and administrative costs. The outstanding balance of these Special Assessment General Obligation bonds at June 30, 2006 was \$1,440,000. As described in Note 11, the Township has a lease agreement with the County of Ingham for construction a sanitary sewer system. The County sold bonds for this project and the Township is paying back the County for the principal and interest of these bonds. On the remaining water and road and storm drain projects, the Township sold the bonds directly and not through the County. The outstanding balance as of June 30, 2006 of the lease payable was \$1,575,000.

VIII. General Fund Budgetary Highlights.

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant change was the increase in revenues, representing an increase in property tax collections, the increase in building permit revenues, and a significant increase in the charge for services provided for the Township. In addition, all of the Township departments stayed below budget representing a substantial improvement in the fund balance from what had been anticipated at the beginning of the fiscal year.

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

TOWNSHIP OF ALAIEDON, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 534,412	\$ 49,771	\$ 584,183
Investments	804,233	294,417	1,098,650
Receivables			
Accounts	3,409		3,409
Special assessments	1,157,471	1,216,377	2,373,848
Accrued interest receivable	4,384	2,963	7,347
Due from			
Other funds	1,010		1,010
State	31,087		31,087
Capital assets (net of accumulated depreciation)	<u>408,475</u>	<u>1,870,999</u>	<u>2,279,474</u>
TOTAL ASSETS	<u><u>\$ 2,944,481</u></u>	<u><u>\$ 3,434,527</u></u>	<u><u>\$ 6,379,008</u></u>
LIABILITIES			
Current liabilities			
Payables			
Accounts	\$ 10,444	\$	\$ 10,444
Payroll and payroll taxes	2,747		2,747
Due to other funds	1,000		1,000
Accrued interest	10,461	18,272	28,733
Bonds and notes payable	80,000		80,000
Deposits payable	3,000		3,000
Lease payable		105,000	105,000
Noncurrent liabilities			
Bonds and notes payable	1,360,000		1,360,000
Lease payable		1,470,000	1,470,000
Accrued sick and vacation pay	<u>4,463</u>		<u>4,463</u>
TOTAL LIABILITIES	<u><u>1,472,115</u></u>	<u><u>1,593,272</u></u>	<u><u>3,065,387</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	408,474	295,999	704,473
Restricted for			
Bond and interest redemption	376,105		376,105
Debt service		1,545,256	1,545,256
Unrestricted	<u>687,787</u>		<u>687,787</u>
TOTAL NET ASSETS	<u><u>1,472,366</u></u>	<u><u>1,841,255</u></u>	<u><u>3,313,621</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,944,481</u></u>	<u><u>\$ 3,434,527</u></u>	<u><u>\$ 6,379,008</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental Activities			
General government	\$ 249,677	\$ 53,471	\$
Public safety	113,830		
Public works	177,252	19,391	
Other	74,753		
Depreciation	21,261		
Interest on long-term debt	65,817		
Total Governmental Activities	<u>702,590</u>	<u>72,862</u>	
Business-Type Activities			
Water and Sewer Special Assessment	<u>118,908</u>		
Total Primary Government	<u>\$ 821,498</u>	<u>\$ 72,862</u>	<u>\$</u>
General Revenues and Transfers			
Property taxes levied for general purposes			
Sales taxes			
Interest on special assessments			
Miscellaneous			
Unrestricted investment earnings			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets, July 1			
Net Assets, June 30			

See accompanying notes to financial statements.

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
\$	\$ (196,206)	\$	\$ (196,206)
	(113,830)		(113,830)
	(157,861)		(157,861)
	(74,753)		(74,753)
	(21,261)		(21,261)
	(65,817)		(65,817)
	(629,728)		(629,728)
		(118,908)	(118,908)
\$	(629,728)	(118,908)	(748,636)
	263,419		263,419
	208,475		208,475
	67,393	75,253	142,646
	44,224		44,224
	54,257	13,675	67,932
	637,768	88,928	726,696
	8,040	(29,980)	(21,940)
	1,464,326	1,871,235	3,335,561
\$	\$ 1,472,366	\$ 1,841,255	\$ 3,313,621

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

ASSETS

	GENERAL	H & H WATER ASSESSMENT BONDS	FOUNTAIN POINTE ASSESSMENT BONDS	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
ASSETS					
Cash	\$ 334,382	\$ 42,160	\$ 50,810	\$ 107,060	\$ 534,412
Investments	538,765	83,284	182,184		804,233
Receivables					
Accounts	3,409				3,409
Special assessments		514,652	642,819		1,157,471
Accrued interest receivable	2,990	437	957		4,384
Due from					
Other funds	1,010				1,010
State	31,087				31,087
TOTAL ASSETS	<u>\$ 911,643</u>	<u>\$ 640,533</u>	<u>\$ 876,770</u>	<u>\$ 107,060</u>	<u>\$ 2,536,006</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Payables					
Accounts	\$ 10,444	\$	\$	\$	\$ 10,444
Payroll and payroll taxes	2,747				2,747
Due to other funds				1,000	1,000
Deposits payable				3,000	3,000
Deferred revenue		514,652	642,819		1,157,471
TOTAL LIABILITIES	<u>13,191</u>	<u>514,652</u>	<u>642,819</u>	<u>4,000</u>	<u>1,174,662</u>

FUND BALANCE

Reserved for					
building department	16,102				16,102
Reserved for debt service		125,881	233,951	16,272	376,104
Unreserved, reported in					
General fund	882,350				882,350
Special revenue fund				1,164	1,164
Capital projects funds				85,624	85,624
TOTAL FUND BALANCE	<u>898,452</u>	<u>125,881</u>	<u>233,951</u>	<u>103,060</u>	<u>1,361,344</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 911,643</u>	<u>\$ 640,533</u>	<u>\$ 876,770</u>	<u>\$ 107,060</u>	<u>\$ 2,536,006</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balance - governmental funds		\$	1,361,344
Amounts reported for governmental activities in the statement of net assets are different because			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$856,809 and the accumulated depreciation is \$448,334			408,475
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds Long-term liabilities at year-end consist of:			
Bonds payable	\$	(1,440,000)	
Accrued interest		(10,461)	
Compensated absences		<u>(4,463)</u>	(1,454,924)
Deferred revenue			<u>1,157,471</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		\$	<u><u>1,472,366</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL	H & H WATER ASSESSMENT BONDS	FOUNTAIN POINTE ASSESSMENT BONDS	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES					
Taxes and special assessments	\$ 254,254	\$ 60,244	\$ 75,036	\$	\$ 389,534
Licenses and permits	30,027				30,027
Intergovernmental	213,893				213,893
Charges for services	52,045				52,045
Interest and rentals	38,818	4,212	8,768	2,459	54,257
Other revenues	38,762				38,762
TOTAL REVENUES	<u>627,799</u>	<u>64,456</u>	<u>83,804</u>	<u>2,459</u>	<u>778,518</u>
EXPENDITURES					
General government	251,915				251,915
Public safety	113,830				113,830
Public works	123,201			54,051	177,252
Debt service					
Principal retirement		35,000	45,000		80,000
Interest and fiscal charges		27,450	39,340		66,790
Other	74,736	17			74,753
TOTAL EXPENDITURES	<u>563,682</u>	<u>62,467</u>	<u>84,340</u>	<u>54,051</u>	<u>764,540</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	64,117	1,989	(536)	(51,592)	13,978
FUND BALANCE, JULY 1	<u>834,335</u>	<u>123,892</u>	<u>234,487</u>	<u>154,652</u>	<u>1,347,366</u>
FUND BALANCE, JUNE 30	<u>\$ 898,452</u>	<u>\$ 125,881</u>	<u>\$ 233,951</u>	<u>\$ 103,060</u>	<u>\$ 1,361,344</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

Net changes in fund balance - total governmental funds	\$ 13,978
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	14,136
Less: current year depreciation	(21,261)
Less: current year disposals	(9,886)
Revenues in the individual funds that provide current financial resources that were previously reported as revenues in the statement of activities	(67,887)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	
Accrued interest	973
Principal payments	80,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in long-term compensated absences	(2,013)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>8,040</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
WATER AND SEWER SPECIAL ASSESSMENT
JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 49,771
Certificates of deposit	294,417
Accrued interest receivable	2,963
Special assessment receivable - current	81,091
TOTAL CURRENT ASSETS	<u>428,242</u>

PROPERTY, PLANT AND EQUIPMENT

Utility mains	2,001,069
Less: accumulated depreciation	130,070
NET PROPERTY, PLANT AND EQUIPMENT	<u>1,870,999</u>

OTHER ASSETS

Special assessment receivable	1,135,286
TOTAL ASSETS	<u>\$ 3,434,527</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued interest payable	\$ 18,272
Lease payable	105,000
TOTAL CURRENT LIABILITIES	<u>123,272</u>

LONG-TERM LIABILITIES

Lease payable	1,470,000
TOTAL LIABILITIES	<u>1,593,272</u>

CONTRIBUTED CAPITAL

Taxpayers	<u>309,305</u>
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NET ASSETS

Invested in capital assets, net of related debt	295,999
Reserved for debt service	1,235,951
TOTAL NET ASSETS	<u>1,531,950</u>
TOTAL NET ASSETS AND CONTRIBUTED CAPITAL	<u>1,841,255</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,434,527</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
WATER AND SEWER SPECIAL ASSESSMENT
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING EXPENSES	
Depreciation	\$ 40,021
Miscellaneous	16
TOTAL OPERATING EXPENSES	<u>40,037</u>
OPERATING LOSS	<u>(40,037)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest received on special assessments	75,253
Interest earned	13,675
Interest expense	<u>(78,871)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>10,057</u>
NET LOSS	(29,980)
NET ASSETS, JULY 1	<u>1,871,235</u>
NET ASSETS, JUNE 30	<u>\$ 1,841,255</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
WATER AND SEWER SPECIAL ASSESSMENT
FOR THE YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 81,091
Cash payment for miscellaneous services	(16)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>81,075</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in investment	25,584
Special assessment interest income	75,243
Interest income	13,675
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>114,502</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on debt	(105,000)
Interest and fiscal charges	(79,865)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(184,865)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,712
CASH AND CASH EQUIVALENTS, JULY 1	<u>39,059</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 49,771</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF CASH FLOWS - Concluded
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
WATER AND SEWER SPECIAL ASSESSMENT
FOR THE YEAR ENDED JUNE 30, 2006

RECONCILIATION OF OPERATING
INCOME TO NET CASH PROVIDED
BY OPERATING ACTIVITIES

Operating loss	\$ (40,037)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	40,021
(Increase) decrease in assets	
Decrease in special assessment receivable	81,091
TOTAL NET ADJUSTMENTS	<u>121,112</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 81,075</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	TRUST AND AGENCY	CURRENT TAX	TOTAL FIDUCIARY FUNDS
ASSETS			
Cash	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>
FUND BALANCE			
Unreserved-undesignated	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ <u>4,164</u>	\$ <u>16,272</u>	\$ <u>86,624</u>	\$ <u>107,060</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$	\$	\$ 1,000	\$ 1,000
Deposit payable	<u>3,000</u>	<u></u>	<u></u>	<u>3,000</u>
TOTAL LIABILITIES	<u>3,000</u>	<u></u>	<u>1,000</u>	<u>4,000</u>
FUND BALANCE				
Undesignated	1,164			1,164
Reserved for capital projects			85,624	85,624
Reserved for debt service	<u></u>	<u>16,272</u>	<u></u>	<u>16,272</u>
TOTAL FUND BALANCE	<u>1,164</u>	<u>16,272</u>	<u>85,624</u>	<u>103,060</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>4,164</u>	\$ <u>16,272</u>	\$ <u>86,624</u>	\$ <u>107,060</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Interest and rentals	\$ <u>52</u>	\$ <u>121</u>	\$ <u>2,286</u>	\$ <u>2,459</u>
EXPENDITURES				
Other	<u> </u>	<u> </u>	<u>54,051</u>	<u>54,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52	121	(51,765)	(51,592)
FUND BALANCE, JULY 1	<u>1,112</u>	<u>16,151</u>	<u>137,389</u>	<u>154,652</u>
FUND BALANCE, JUNE 30	\$ <u><u>1,164</u></u>	\$ <u><u>16,272</u></u>	\$ <u><u>85,624</u></u>	\$ <u><u>103,060</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under an elected Township Board, which consists of five members. The Township provides services to its more than 3,000 residents in many areas including public safety, fire protection, parks and recreation, planning, zoning and general and administrative services.

The accounting policies of the Township of Alaiedon, Michigan, conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

The Township has considered all potential component units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit, legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The financial entity of the Township of Alaiedon includes all funds and account groups of the Township. The Township has no activities that would be classified as a component unit.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township of Alaiedon. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements - Concluded

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus , Basis of Accounting and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township of Alaiedon.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

C. Measurement Focus, Basis of Accounting and Financial Statements - Concluded

The Township of Alaiedon reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

The H&H Water Assessment Bond fund is used to account for the resources accumulated and payments made for principal and interest payments on these bonds.

The Fountain Pointe Road Construction project is used to account for expenditures for the road construction project.

The Township reports deferred revenue on its governmental funds balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough thereafter to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year end.

The Township of Alaiedon reports the following major proprietary funds:

The Water and Sewer Special Assessment fund accounts for the activities and operations of the sewage infrastructure and resources accumulated and payments for principal and interest payments for payments for bonds to the County of Ingham, Michigan.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township of Alaiedon has elected not to follow subsequent private-sector guidance.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Cash and Investments

The Township's cash is considered to be cash on hand, demand deposits, and non-negotiable certificates of deposit with an original maturity of 3 months or less.

All investments are stated at cost or amortized cost.

E. Receivables

Receivables have been recognized for all significant amounts due the Township. No allowances have been made for uncollectible amounts, because if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Alaiedon as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvements	10-20 years
Buildings	10-40 years
Machinery and equipment	5-20 years
Vehicles	3-10 years
Utility infrastructure	10-40 years
Furniture	5-10 years

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

G. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

H. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Township holds a special meeting to develop the budget for the General Fund for the following fiscal year. Public hearings are conducted to obtain taxpayer comments before the budget is formally adopted.
2. Any revision to the budget must be approved by the Township Board.
3. Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended.
4. All annual appropriations lapse at year end.

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

J. Statement of Cash Flows

In the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

K. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2: PROPERTY TAXES

The Township is authorized by State Statute and the Township Charter to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental operating purposes. The combined tax rate to finance governmental services for the year ended June 30, 2006, was .8440 per \$1,000. The total property tax levy for the 2005 tax year was \$158,635.

Pertinent tax dates are as follows:

Lien date	12/01/05
Levy date	12/01/05
Due date without penalty	02/14/06
Collection date	07/01/05 – 02/28/06

NOTE 3: CASH AND INVESTMENTS

A reconciliation of cash and investments follows:

Government-Wide Statement of Net Assets	
Cash	\$ 584,183
Investments	<u>1,098,650</u>
	<u>1,682,833</u>
Statement of Fiduciary Net Assets	
Cash	<u>10</u>
	<u>\$ 1,682,843</u>

A summary by type are:

Deposits	
Cash in demand accounts	\$ 220,050
Imprest cash	147
Cash in savings accounts/ money market	363,996
Investments	
Certificates of deposit	<u>1,098,650</u>
	<u>\$ 1,682,843</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 3: **CASH AND INVESTMENTS - Continued**

Deposits

At June 30, 2006, the banks were carrying a cash balance of \$588,022 - not including any pooled investment funds. Of this amount, \$159,013 was debt service money and \$429,009 was for Township activities other than debt service. These deposit classifications are covered by Federal Depository Insurance as follows:

DEPOSITS	BANK BALANCE
Insured	\$ 216,982
Uninsured and uncollateralized	<u>371,245</u>
	<u>\$ 588,227</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, the Township's bank balance of \$588,022 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 371,245</u>
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Investments

Act 196, P. A. 1997, authorizes the Township to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Bonds, securities and other direct obligations of the United States or its agencies.
- (d) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 3: CASH AND INVESTMENTS - Concluded

- (e) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (f) Repurchase agreements consisting of instruments listed in subdivision (a).
- (g) Bankers' acceptance of United States banks.
- (h) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (i) Certain mutual funds as defined in the Act.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposit of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Investments of the Township are in accordance with statutory authority.

At June 30, 2006, the Township's investments bank balance of \$1,098,650 was exposed to custodial credit risk as follows:

Insured	\$ 83,018
Uninsured and uncollateralized	<u>1,015,632</u>
	<u>\$ 1,098,650</u>

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The Township has adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 4: CAPITAL ASSETS

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
Capital assets not being depreciated				
Land	\$ <u>108,217</u>	\$ _____	\$ _____	\$ <u>108,217</u>
Capital assets being depreciated				
Buildings	412,135			412,135
Improvements	20,597	1,850		22,447
Machinery and equipment	89,391	12,286	12,357	89,320
Furniture	34,309			34,309
Infrastructure	88,166			88,166
Land improvements	76,767			76,767
Vehicles	<u>25,448</u>	_____	_____	<u>25,448</u>
Total Capital assets being depreciated	<u>746,813</u>	<u>14,136</u>	<u>12,357</u>	<u>748,592</u>
Less: Accumulated depreciation				
Buildings	217,320	5,897		223,217
Improvements	12,444	2,214		14,658
Machinery and equipment	70,345	6,749	2,472	74,622
Furniture	33,172	359		33,531
Infrastructure	46,287	2,204		48,491
Land improvements	24,530	3,838		28,368
Vehicles	<u>25,447</u>	_____	_____	<u>25,447</u>
Total Accumulated Depreciation	<u>429,545</u>	<u>21,261</u>	<u>2,472</u>	<u>448,334</u>
Total Capital Assets being Depreciated - Net	<u>317,268</u>	<u>(7,125)</u>	<u>9,885</u>	<u>300,258</u>
NET CAPITAL ASSETS	\$ <u>425,485</u>	\$ <u>(7,125)</u>	\$ <u>9,885</u>	\$ <u>408,475</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ <u>21,261</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 4: CAPITAL ASSETS - Concluded

Capital assets for business-type activities have been summarized as follows:

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Infrastructure	\$ 2,001,069	\$	\$	\$ 2,001,069
Less: Accumulated depreciation				
Infrastructure	<u>90,049</u>	<u>40,021</u>	<u> </u>	<u>130,070</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ <u>1,911,020</u>	\$ <u>40,021</u>	\$ <u> </u>	\$ <u>1,870,999</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
Water and Sewer Special Assessment	\$ <u>40,021</u>

NOTE 5: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

P.A. 621 of 1978 provides that local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the Township Board. P.A. 493 of 2002 removed debt service funds as funds requiring a budget. During the year ended June 30, 2006, Alaiedon Township incurred the following expenditures in excess of appropriations.

	FINAL BUDGET	ACTUAL	UNFAVORABLE VARIANCE
General fund			
Fire prevention	\$ 78,971	\$ 81,169	\$ 2,198

NOTE 6: ACCUMULATED UNPAID SICK AND VACATION PAY

Accumulated sick and vacation pay represents a contingent liability to the Township. Payments to employees for sick and vacation pay will be recorded as expenditures when the sick and vacation time is earned by the employees.

At June 30, 2006, the total accumulated sick and vacation pay was approximately \$4,463.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 7: LONG-TERM DEBT

The following is a summary of debt transactions for the Township for the year ended June 30, 2006.

	BALANCE, JULY 1	ADDITIONS	DEDUCTIONS	BALANCE, JUNE 30	DUE WITHIN ONE YEAR
GENERAL LONG-TERM DEBT					
2004 Special Assessment Water Bonds	\$ 640,000	\$	\$ 35,000	\$ 605,000	\$ 35,000
2004 Special Assessment Road Bonds	<u>880,000</u>	<u></u>	<u>45,000</u>	<u>835,000</u>	<u>45,000</u>
TOTAL GENERAL LONG-TERM DEBT	<u>\$ 1,520,000</u>	<u>\$</u>	<u>\$ 80,000</u>	<u>\$ 1,440,000</u>	<u>\$ 80,000</u>

Significant detail regarding the outstanding long-term debt (including current portion) is presented below:

General Obligation Bonds

\$675,000 - 2004 Special Assessment Water Bonds due in annual installments of \$35,000 to \$40,000 through December 1, 2022; interest at 4.75%	\$ 605,000
\$925,000 - 2004 Special Assessment Road Bonds due in annual installments of \$45,000 to \$50,000 through November 1, 2023; interest at 4.30% to 4.80%	<u>835,000</u>
	<u>\$ 1,440,000</u>

The annual requirements to amortize all debt outstanding, excluding vested sick and vacation pay as of June 30, 2006, are as follows:

		GENERAL OBLIGATION BONDS
YEAR ENDING JUNE 30,		
2007	Principal	\$ 80,000
	Interest	63,805
	Total	143,805

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 7: **LONG-TERM DEBT** – Concluded

		GENERAL OBLIGATION BONDS	
2008	Principal	\$	80,000
	Interest		60,733
	Total		140,733
2009	Principal		80,000
	Interest		57,574
	Total		137,574
2010	Principal		85,000
	Interest		54,325
	Total		139,325
2011	Principal		85,000
	Interest		50,776
	Total		135,776
2012-2016	Principal		425,000
	Interest		167,112
	Total		592,112
2017-2021	Principal		425,000
	Interest		97,538
	Total		522,538
2022-2023	Principal		180,000
	Interest		13,200
	Total		193,200
Totals	Principal		1,440,000
	Interest		<u>565,063</u>
		\$	<u><u>2,005,063</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of the interfund receivables and payables as of June 30, 2006:

DUE FROM		DUE TO	
Road Account	\$ 1,000	General	\$ 1,010
Trust and Agency	<u>10</u>		<u> </u>
TOTAL	\$ <u>1,010</u>	TOTAL	\$ <u>1,010</u>

Interfund loans were made for cash flow purposes.

NOTE 9: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for most risks of loss to which it is exposed.

NOTE 10: BUILDING DEPARTMENT FUND BALANCE RESERVE

For June 30, 2006, the Township accounted for the building department activities in the general fund. The revenues and expenditures from July 1, 2005 to June 30, 2006 for the building department were as follows:

REVENUES	
Building permits	\$ <u>19,391</u>
EXPENDITURES	
Salaries	21,563
Travel	2,277
Supplies	279
Miscellaneous	<u>81</u>
	<u>24,200</u>
DEFICIENCY OF REVENUES	
OVER EXPENDITURES	(4,809)
FUND BALANCE RESERVE FOR	
BUILDING DEPARTMENT, JULY 1	<u>20,911</u>
FUND BALANCE RESERVE FOR	
BUILDING DEPARTMENT, JUNE 30	\$ <u>16,102</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2006

NOTE 11: LEASE PAYABLE

During 2002, the Township entered into an agreement with the County of Ingham for constructing a water sewer system for the Township. The County sold bonds for \$1,980,000 to finance this project. The Township is paying the County as the bond principal and interest payments are due. Principal payments are \$105,000 per year plus interest of 4.0% to 5.10%. The bonds are due in April, 2021. The Township is assessing the citizens for the next 20 years. The lease payable balance was \$1,575,000 as of June 30, 2006.

The future minimum lease payments (including interest of \$609,945) are as follows:

YEAR ENDING JUNE 30,	AMOUNT
2007	\$ 178,290
2008	174,090
2009	169,628
2010	165,165
2011	160,702
Thereafter	<u>1,337,070</u>
	<u>\$ 2,184,945</u>

NOTE 12: FUND BALANCE/RETAINED EARNINGS RESERVES

FUND BALANCE

General Fund

Reserved for building department \$ 16,102

Debt Service Fund

Reserved for debt service \$ 376,105

Capital Projects Funds

Reserved for capital projects \$ 85,624

RETAINED EARNINGS

Enterprise Funds

Reserved for debt service \$ 1,545,256

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Concluded
JUNE 30, 2006

NOTE 13: SEGMENT INFORMATION

The Township of Alaiedon has one enterprise fund which provides water and sewer services to its residents. The following is additional segment information not disclosed in the general-purpose financial statements as of and for the year ended June 30, 2006.

Operating loss	\$(40,037)
Net loss	(29,980)
Total assets	3,434,527
Property, plant and equipment - net	1,870,999
Long-term liabilities	1,575,000
Total liabilities	1,593,272
Total equity	1,531,950
Net change in cash flows	10,712
Net working capital	304,970

NOTE 14: FUND DEFICITS

There were no fund deficits for the year ended June 30, 2006.

NOTE 15: CONTRIBUTED CAPITAL

Contributed capital represents advance payments on special assessments from taxpayers. The contributed capital balance at June 30, 2006 is \$309,305. This contributed capital balance has been combined with the net asset balances for the statement of net assets.

NOTE 16: DEFERRED COMPENSATION PLAN (457)

The Township is the sponsor of a 457 Deferred Compensation Plan. All full time employees that have completed one year of service with the Township are eligible to participate. The Township's maximum contribution is up to 5% of annual employee wages. The Township made contributions to the plan of \$4,828 for the year ended June 30, 2006.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes				
Property taxes	\$ 155,150	\$ 155,150	\$ 159,310	\$ 4,160
City of Lansing-425 agreement	90,000	90,000	94,944	4,944
Total Taxes	<u>245,150</u>	<u>245,150</u>	<u>254,254</u>	<u>9,104</u>
Licenses and Permits				
Permits	<u>19,500</u>	<u>19,500</u>	<u>30,027</u>	<u>10,527</u>
Intergovernmental				
Sales tax and misc	<u>200,000</u>	<u>200,000</u>	<u>213,893</u>	<u>13,893</u>
Charges for Services				
Administrative fees	4,000	4,000	9,165	5,165
Trash collections	3,500	3,500	4,000	500
Fire run collections	10,000	10,000	21,190	11,190
Cemetery lot sales	<u>7,000</u>	<u>7,000</u>	<u>17,690</u>	<u>10,690</u>
Total Charges for Services	<u>24,500</u>	<u>24,500</u>	<u>52,045</u>	<u>27,545</u>
Other Revenues				
Interest on investments	14,000	14,000	38,818	24,818
Special assessments	15,000	15,000	10,608	(4,392)
Refunds and reimbursements			27,710	27,710
Miscellaneous	<u>500</u>	<u>500</u>	<u>444</u>	<u>(56)</u>
Total Other Revenues	<u>29,500</u>	<u>29,500</u>	<u>77,580</u>	<u>48,080</u>
TOTAL REVENUES	<u>518,650</u>	<u>518,650</u>	<u>627,799</u>	<u>109,149</u>

TOWNSHIP OF ALAIEDON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - Concluded

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
EXPENDITURES				
General Government				
Supervisor	\$ 17,050	\$ 17,050	\$ 16,570	\$ 480
Trustee	6,000	6,000	6,000	
Elections	7,000	7,000	4,205	2,795
Assessing	26,000	26,000	25,916	84
Clerk	13,100	13,100	13,000	100
Treasurer	9,200	9,200	9,054	146
Building and grounds	42,000	43,866	34,816	9,050
Cemetery	115,500	118,789	30,253	88,536
Office	117,100	121,281	110,971	10,310
Board of review	1,500	1,680	1,130	550
Total General Government	<u>354,450</u>	<u>363,966</u>	<u>251,915</u>	<u>112,051</u>
Public Safety				
Building inspections	26,400	26,400	24,201	2,199
Planning commission	4,500	7,670	7,150	520
Board of appeals	1,800	1,800	1,310	490
Fire prevention	71,000	78,971	81,169	(2,198)
Total Public Safety	<u>103,700</u>	<u>114,841</u>	<u>113,830</u>	<u>1,011</u>
Public Works				
Public services	<u>188,500</u>	<u>188,500</u>	<u>123,201</u>	<u>65,299</u>
Other Functions				
Township share of pension	5,000	5,000	4,828	172
Township share of FICA	12,000	12,000	12,174	(174)
Insurance - liability and bonding	14,000	14,000	13,387	613
Insurance - health	23,000	27,571	27,571	
Workers' compensation	3,500	3,500	3,150	350
Miscellaneous		13,626	13,626	
Total Other Functions	<u>57,500</u>	<u>75,697</u>	<u>74,736</u>	<u>961</u>
TOTAL EXPENDITURES	<u>704,150</u>	<u>743,004</u>	<u>563,682</u>	<u>179,322</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(185,500)</u>	<u>(224,354)</u>	<u>64,117</u>	<u>288,471</u>
FUND BALANCE, JULY 1	<u>834,335</u>	<u>834,335</u>	<u>834,335</u>	
FUND BALANCE, JUNE 30	<u><u>\$ 648,835</u></u>	<u><u>\$ 609,981</u></u>	<u><u>\$ 898,452</u></u>	<u><u>\$ 288,471</u></u>

GENERAL FUND

The General Fund is used to account for resources traditionally associated with local government, and any other activity for which a special fund has not been created.

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

GENERAL FUND

JUNE 30, 2006

ASSETS

Cash and cash equivalents	\$ 334,382
Investments	538,765
Accounts receivable	3,409
Accrued interest receivable	2,990
Due from other funds	1,010
Due from other governmental units	31,087
TOTAL ASSETS	<u>\$ 911,643</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 10,444
Accrued wages	2,747
TOTAL LIABILITIES	<u>13,191</u>

FUND BALANCE

Reserved - building department	16,102
Unreserved - undesignated	882,350
TOTAL FUND BALANCE	<u>898,452</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 911,643</u>
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TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHAGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 245,150	\$ 254,254	\$ 9,104
Licenses and permits	19,500	30,027	10,527
Intergovernmental - state	200,000	213,893	13,893
Charges for services	24,500	52,045	27,545
Interest	14,000	38,818	24,818
Other	15,500	38,762	23,262
TOTAL REVENUES	<u>518,650</u>	<u>627,799</u>	<u>109,149</u>
EXPENDITURES			
General government	363,966	251,915	112,051
Public safety	114,841	113,830	1,011
Public works	188,500	123,201	65,299
Other	75,697	74,736	961
TOTAL EXPENDITURES	<u>743,004</u>	<u>563,682</u>	<u>179,322</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(224,354)	64,117	288,471
FUND BALANCE, JULY 1	<u>834,335</u>	<u>834,335</u>	
FUND BALANCE, JUNE 30	<u>\$ 609,981</u>	<u>\$ 898,452</u>	<u>\$ 288,471</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT			
Supervisor			
Salaries	\$ 13,000	\$ 13,000	\$
Supplies	50		50
Mileage	1,500	1,500	
Miscellaneous	2,500	2,070	430
Total Supervisor	<u>17,050</u>	<u>16,570</u>	<u>480</u>
Trustee			
Salaries	<u>6,000</u>	<u>6,000</u>	
Elections			
Salaries	5,000	3,705	1,295
Supplies	1,000	409	591
Printing and publishing	1,000	91	909
Total Elections	<u>7,000</u>	<u>4,205</u>	<u>2,795</u>
Assessing			
Salaries	25,200	25,150	50
Supplies	800	766	34
Total Assessing	<u>26,000</u>	<u>25,916</u>	<u>84</u>
Clerk			
Salaries	13,000	13,000	
Miscellaneous	100		100
Total Clerk	<u>13,100</u>	<u>13,000</u>	<u>100</u>
Treasurer			
Salaries	9,000	9,000	
Miscellaneous	200	54	146
Total Treasurer	<u>9,200</u>	<u>9,054</u>	<u>146</u>
Building and Grounds			
Salaries	19,500	16,269	3,231
Supplies	3,129	3,129	
Repairs and maintenance	6,737	6,737	
Fuel	4,500	3,339	1,161
Utilities	5,000	4,242	758
Capital outlay	3,000	1,100	1,900
Property and land improvements	2,000		2,000
Total Building and Grounds	<u>43,866</u>	<u>34,816</u>	<u>9,050</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - Continued
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT - Concluded			
Cemetery			
Salaries	\$ 20,586	\$ 20,105	\$ 481
Supplies	2,000	1,040	960
Repairs and maintenance	3,862	3,862	
Travel	100	32	68
Fuel	1,341	1,649	(308)
Utilities	900	826	74
Capital outlay	2,000	1,300	700
Property and land improvements	88,000	1,439	86,561
Total Cemetery	<u>118,789</u>	<u>30,253</u>	<u>88,536</u>
Office			
Salaries	54,981	56,151	(1,170)
Supplies	3,000	2,455	545
Postage	5,000	4,201	799
Attorney fees	35,000	29,869	5,131
Audit fees	3,300	3,300	
Travel	3,000	2,368	632
Tax expense	1,000	522	478
Legal notices	5,000	2,767	2,233
Equipment and maintenance	6,000	5,808	192
Township dues	3,500	3,227	273
Miscellaneous	1,500	303	1,197
Total Office	<u>121,281</u>	<u>110,971</u>	<u>10,310</u>
Board of Review			
Salaries	1,500	950	550
Miscellaneous	180	180	
Total Board of Review	<u>1,680</u>	<u>1,130</u>	<u>550</u>
TOTAL GENERAL GOVERNMENT	<u>363,966</u>	<u>251,915</u>	<u>112,051</u>
PUBLIC SAFETY			
Building Inspection			
Salaries	23,000	21,564	1,436
Travel	2,300	2,277	23
Supplies	600	279	321
Miscellaneous	500	81	419
Total Building Inspection	<u>26,400</u>	<u>24,201</u>	<u>2,199</u>
Planning Commission			
Salaries	4,000	3,450	550
Consultant	3,170	3,700	(530)
Miscellaneous	500		500
Total Planning Commission	<u>7,670</u>	<u>7,150</u>	<u>520</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC SAFETY - Concluded			
Zoning Board of Appeals			
Salaries	\$ 1,500	\$ 1,310	\$ 190
Building Board of Appeals	300		300
Fire Prevention			
Fire runs	42,971	43,971	(1,000)
Stand by fees	36,000	37,198	(1,198)
Total Fire Prevention	78,971	81,169	(2,198)
TOTAL PUBLIC SAFETY	114,841	113,830	1,011
PUBLIC WORKS			
Road improvement	150,000	89,726	60,274
Plan review	1,000		1,000
Building Inspection	6,000	5,514	486
Trash pickup	9,000	8,700	300
Ground water management	6,000	4,520	1,480
Street lights	10,000	10,401	(401)
Drain at large	6,500	4,340	2,160
TOTAL PUBLIC WORKS	188,500	123,201	65,299
OTHER			
Township share of pension	5,000	4,828	172
Township share of FICA	12,000	12,174	(174)
Insurance - liability and bonding	14,000	13,387	613
Insurance - health	27,571	27,571	
Workers' compensation	3,500	3,150	350
Miscellaneous	13,626	13,626	
TOTAL OTHER	75,697	74,736	961
TOTAL EXPENDITURES	\$ 743,004	\$ 563,682	\$ 179,322

NONMAJOR SPECIAL REVENUE FUND

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

The Special Revenue Fund of the Township is: Mining Expendable Trust Fund.

TOWNSHIP OF ALAIEDON, MICHIGAN
BALANCE SHEET
SPECIAL REVENUE FUND
MINING EXPENDABLE TRUST FUND
JUNE 30, 2006

ASSETS

Cash and cash equivalents	\$ <u>4,164</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Deposits payable	\$ <u>3,000</u>
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FUND BALANCE

Unreserved	<u>1,164</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>4,164</u></u>
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TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MINING EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES	
Interest	\$ 52
FUND BALANCE, JULY 1	<u>1,112</u>
FUND BALANCE, JUNE 30	<u>\$ 1,164</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHAGES IN
FUND BALANCE - BUDGET AND ACTUAL
MINING EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Interest	\$ _____	\$ _____ 52	\$ _____ 52
EXCESS OF REVENUES OVER EXPENDITURES		52	52
FUND BALANCE, JULY 1	_____ 1,112	_____ 1,112	_____
FUND BALANCE, JUNE 30	\$ _____ 1,112	\$ _____ 1,164	\$ _____ 52

NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt other than that payable exclusively from revenue bonds issued for and serviced by a governmental enterprise.

The Township's Debt Service Funds are legal in nature. They are established in accordance with statutes and/or bond indentures. Their use enhances the attractiveness of bonds to prospective buyers resulting, possibly, in a lower rate of interest. Inclusion of Debt Service Fund provisions in the indenture indicates to the buyer that the timing of the acquisition of assets with which to satisfy maturing debt has been formalized and that a sophisticated administrative approach to servicing the debt will be followed.

The Township's Non-Major Debt Service Fund is the Road Assessment Bonds.

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

NONMAJOR DEBT SERVICE FUND

ROAD ASSESSMENT BONDS

JUNE 30, 2006

ASSETS

Cash and cash equivalents

\$ 16,272

LIABILITIES AND FUND BALANCE

FUND BALANCE

Reserved for debt service

\$ 16,272

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUND
ROAD ASSESSMENT BONDS
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES	
Interest	\$ <u>121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	121
FUND BALANCE, JULY 1	<u>16,151</u>
FUND BALANCE, JUNE 30	\$ <u><u>16,272</u></u>

NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources to acquire assets of a relatively permanent nature. These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors and other grantors of capital projects funds revenue that their requirements regarding the use of the revenue were fully satisfied.

The Township's Non-Major Capital Projects Funds include the Road Account, Water and Sewer Assessment, H&H Water Assessment and Fountain Pointe Assessment.

TOWNSHIP OF ALAIEDON, MICHIGAN
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2006

	ROAD ACCOUNT	WATER AND SEWER ASSESS- MENT	H & H WATER ASSESS- MENT	FOUNTAIN POINTE ASSESS- MENT	TOTAL
ASSETS					
Cash and cash equivalents	\$ <u>7,287</u>	\$ <u>3,029</u>	\$ <u>44,528</u>	\$ <u>31,780</u>	\$ <u>86,624</u>
LIABILITIES					
Due to general fund	\$ <u>1,000</u>	\$ <u></u>	\$ <u></u>	\$ <u></u>	\$ <u>1,000</u>
FUND BALANCE					
Unreserved - undesignated	6,287				6,287
Reserved for capital projects	<u></u>	<u>3,029</u>	<u>44,528</u>	<u>31,780</u>	<u>79,337</u>
TOTAL FUND BALANCE	<u>6,287</u>	<u>3,029</u>	<u>44,528</u>	<u>31,780</u>	<u>85,624</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>7,287</u>	\$ <u>3,029</u>	\$ <u>44,528</u>	\$ <u>31,780</u>	\$ <u>86,624</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	ROAD ACCOUNT	WATER AND SEWER ASSESS- MENT	H & H WATER ASSESS- MENT	FOUNTAIN POINTE ASSESS- MENT	TOTAL
REVENUES					
Interest	\$ <u>27</u>	\$ <u>38</u>	\$ <u>1,550</u>	\$ <u>671</u>	\$ <u>2,286</u>
EXPENDITURES					
Public works	<u> </u>	<u> </u>	<u>54,051</u>	<u> </u>	<u>54,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27	38	(52,501)	671	(51,765)
FUND BALANCE, JULY 1	<u>6,260</u>	<u>2,991</u>	<u>97,029</u>	<u>31,109</u>	<u>137,389</u>
FUND BALANCE, JUNE 30	\$ <u><u>6,287</u></u>	\$ <u><u>3,029</u></u>	\$ <u><u>44,528</u></u>	\$ <u><u>31,780</u></u>	\$ <u><u>85,624</u></u>

ENTERPRISE FUND

The Enterprise Fund is used for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Township Board is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Township Board has decided that periodic determination of net income is appropriate for accountability purposes.

WATER AND SEWER SPECIAL ASSESSMENT FUND Provides portable water for domestic, commercial and fire protection uses as well as sewage collection and treatment systems to treat and dispose of wastewater.

TOWNSHIP OF ALAIEDON, MICHIGAN
BALANCE SHEET
WATER AND SEWER SPECIAL ASSESSMENT FUND
JUNE 30, 2006

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 49,771
Certificates of deposit	294,417
Accrued interest receivable	2,963
Special assessment receivable - current	81,091
TOTAL CURRENT ASSETS	<u>428,242</u>
PROPERTY AND EQUIPMENT	2,001,069
Less: accumulated depreciation	(130,070)
NET PROPERTY AND EQUIPMENT	<u>1,870,999</u>
OTHER ASSETS	
Special assessment receivable	<u>1,135,286</u>
TOTAL ASSETS	<u>\$ 3,434,527</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES	
Accrued interest payable	\$ 18,272
Lease payable	105,000
TOTAL CURRENT LIABILITIES	<u>123,272</u>
NONCURRENT LIABILITIES	
Lease payable	<u>1,470,000</u>
TOTAL LIABILITIES	<u>1,593,272</u>
FUND EQUITY	
Contributed capital	
Taxpayers	309,305
RETAINED EARNINGS	
Reserved for debt service	<u>1,531,950</u>
TOTAL FUND EQUITY	<u>1,841,255</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,434,527</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
WATER AND SEWER SPECIAL ASSESSEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES	
Special assessment	\$ <u> </u>
EXPENDITURES	
Depreciation	40,021
Miscellaneous	16
TOTAL EXPENDITURES	<u>40,037</u>
OPERATING LOSS	<u>(40,037)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest on special assessments	75,253
Interest on investments	13,675
Interest and fiscal charges	<u>(78,871)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>10,057</u>
NET LOSS	(29,980)
RETAINED EARNINGS, JULY 1	<u>1,871,235</u>
RETAINED EARNINGS, JUNE 30	\$ <u><u>1,841,255</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF CASH FLOWS
WATER AND SEWER SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from special assessments	\$ 81,091
Cash paid for miscellaneous	<u>(16)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>81,075</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in investment	25,584
Special assessment interest income	75,243
Interest income	<u>13,675</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>114,502</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments	(105,000)
Interest and fiscal charges	<u>(79,865)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(184,865)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,712
CASH AND CASH EQUIVALENTS, JULY 1	<u>39,059</u>
CASH AND CASH EQUIVALENTS , JUNE 30	<u><u>\$ 49,771</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF CASH FLOWS
WATER AND SEWER SPECIAL ASSESSMENT FUND - Concluded
FOR THE YEAR ENDED JUNE 30, 2006

RECONCILIATION OF OPERATING LOSS TO NET

CASH PROVIDED BY OPERATIONS

Operating loss	\$ <u>(40,037)</u>
Depreciation	40,021
Changes in assets and liabilities	
Decrease in special assesement receivable	<u>81,091</u>
TOTAL NET ADJUSTMENTS	<u>121,112</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 81,075</u></u>

FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds are used to account for assets held by the Township as an agent for individuals, other governments, and funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

TRUST FUNDS

Trust Funds are used to account for assets held by the Township in a trustee capacity for individuals and other local units. Expendable Trust Funds are generally limited to instances where a formal legal trustee relationship exists and the principal and interest may be expended in the course of their designated operations.

The Township Fiduciary Funds include Trust and Agency and Current Tax.

TOWNSHIP OF ALAIEDON, MICHIGAN
 COMBINING BALANCE SHEET
 FIDUCIARY FUNDS
 JUNE 30, 2006

	AGENCY FUNDS		
	TRUST AND AGENCY	CURRENT TAX	TOTAL
ASSETS			
Cash and cash equivalents	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to general fund	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>
FUND BALANCE			
Unreserved- undesignated	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Township Board
Township of Alaiedon
Mason, Michigan

We have audited the financial statements of the governmental activities of the Township of Alaiedon, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township of Alaiedon, Michigan's basic financial statements and have issued our report thereon dated August 23, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Alaiedon, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Alaiedon, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Township of Alaiedon, Michigan, in a separate letter dated August 23, 2006.

This report is intended solely for the information and use of the management, State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

East Lansing, Michigan
August 23, 2006

1000 Coolidge Road
East Lansing, MI 48823

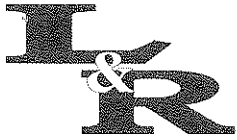
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Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board
Township of Alaiedon
Mason, Michigan

1000 Coolidge Road
East Lansing, MI 48823

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We have examined the financial statements of the Township of Alaiedon, Michigan, for the year ended June 30, 2006, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Township of Alaiedon. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the Township of Alaiedon is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our tests of the internal control procedures included evaluations of randomly selected samples of transactions from payroll, cash disbursements and cash receipts. Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

PRIOR YEAR RECOMMENDATIONS

We made the following recommendations concerning internal control weaknesses during prior year's audits:

CASH PROCEDURES

During the audit, we noted that the person that prepares the monthly bank reconciliation also handles cash disbursements and cash receipt procedures. We recommend that the Township Treasurer receive and approve all bank statements and cancelled checks before returning for reconciliation. This will provide better controls over cash functions. **This recommendation has been implemented.**

PRIOR YEAR RECOMMENDATIONS – Continued

CURRENT TAX FUND

During the audit, we noted that the current tax fund and trust and agency fund had some general ledger accounts that were not being reconciled. We recommend that all accounts in the current tax fund and trust and agency fund be reconciled by someone independent of the accounting for this fund. This will provide a reconciliation of tax monies and help to ensure that they are recorded properly. **This recommendation is in the process of being implemented.**

CASH DISBURSEMENTS

During the audit, we noted some outstanding checks that have been outstanding for some time. We recommend that when preparing the bank reconciliation, all outstanding checks over 90 days old be investigated. **This recommendation has been implemented.**

PAYROLL

During the audit, we noted an employee's withholding had been changed to an amount not equal to the amount calculated by the computer. We recommend that every time an employee changes their withholding, a revised W-4 be completed. **This has recommendation been implemented.**

During our audit, we noted that not all Township employees have a federal withholding form on file. We also noted that no Township employees have a state withholding form on file. We recommend that all employees complete a current federal and state withholding form. This will allow the Township to correctly determine withholdings for each employee. **This is in the process of being implemented.**

We noted during our audit that in several instances, amounts withheld from payroll do not match the amounts as determined from Federal Publication 15 and Michigan 446. We recommend that employee payroll files be reviewed and the cause of the difference be corrected. **This recommendation has been implemented.**

CASH RECEIPTS

During our audit, we noted that the Township operates a trash collection operation and collects user fees. The fees are collected from residents and receipts are not provided. Aggregate cash collections are reported the next business day and a single receipt is prepared. We recommend that the Township official administering the collection prepare a receipt for each collection with a copy given to the resident. This procedure will strengthen the control over cash and provide an improved record of cash receipts. **This recommendation has not been implemented.**

CASH DISBURSEMENTS

During our audit, we noted that the disbursements file does not contain records to document the payroll for board members and commissioners. We recommend the Township prepare a list of meetings attended and the payroll computation and include it in the disbursements file. **Management response: This will be implemented during the current year.**

CURRENT YEAR RECOMMENDATIONS

PAYROLL

We noted during our audit that one employee was paid cash in lieu of insurance without written authorization by the employee on file. We recommend an employee authorization be on file for cash paid in lieu of benefits. **Management response: This will be implemented during the current year.**

During our audit, we noted that one employee was overpaid by \$10 on one payroll. We recommend that this payroll be investigated and corrected. **This was corrected during the audit.**

We are grateful to the Township employees for their assistance and cooperation extended to us during the audit.

Very truly yours,

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
August 23, 2006